

MPC

Milk Producers Council

"Serving the Dairy Industry for Over 50 Years"

May 10, 2001

Pete Vander Poel
Chairman

Syp Vander Dussen
First Vice – Chairman

Fred Douma
Second Vice-Chairman

Bill Van Leeuwen
Third Vice Chairman

Fred Schakel
Secretary

Dick Dykstra
Treasurer

Mark Stiefel
Ed Hoekstra
Dick Jorritsma
George Kasbergen
Adrian Kroes
Ben Slegers
Maynard Troost
Geoffrey Vanden Heuvel
Hank Vander Poel
David Albers
Staff

Robert Feenstra
Executive Director

Nathan de Boom
Environmental Specialist

Don Newcome
Land Use Consultant

Geoffrey Vanden Heuvel
Consultant

David Albers
Legal Counsel

John Huitsing
Controller

Kim Rogers
Office Manager

Hope Duran
Secretary

Mr. David Ikari, Chief
Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street, Room A-224
Sacramento, California 95814

Sent via fax to (916) 654-0867

Re: Alternative Proposal for the June 28, 2001 and July 2, 2001 Hearings to Consider Changes to the Pooling Plan and the Marketing and Stabilization Plans as they pertain to the Transportation Allowance and Credit System.

Dear Mr. Ikari:

The following comments and attachments reflect both our concerns as an association and our proposed amendments to the Pooling Plan and the Marketing and Stabilization Plans as they pertain to the Transportation Allowance and Credit System. Please consider this alternative proposal at the impending hearings on the subject.

It is our view that the current transportation subsidy system is inequitable. The rules and mileage brackets have no logical consistency between regions and certain producers and certain plants are discriminated against for no justifiable reason.

The Department held a series of public workshops last year to review the milk movement incentives provided in the Pooling Plan and the Marketing and Stabilization Plans. The discussions and feedback were productive. A number of problems with the current system were identified and potential solutions were discussed. We applaud the Department's efforts to use a consensus-based process to attempt to address the problems of the current program. We believe the industry and the Department's staff are better informed, and aware, because of the open nature of the exchange.

At the final meeting of that group, a consensus proposal was presented by several industry participants in the process. We believe this proposal establishes principles that act as an outline from which to craft equitable amendments to the milk movement incentives program.

The following points summarize that proposal:

- All Class 1 plants in California qualify for milk movement incentives.

- All California Grade A milk production is eligible.
- The allowance starts at some mileage greater than zero; and the starting point (constructive mileage distance from the plant) is the same throughout the state.
- The allowance zones out in logical increments, with a slight shortfall applied progressively to each mileage increment.
- Transportation credits continue, but the combination of the area differential and the transportation credit shall not exceed the applicable transportation allowance rate for the distance the milk travels.

This proposal modifies the existing transportation allowance/credit system by eliminating the current county-based discrimination against fluid plants and producers and establishes consistent statewide mileage criteria to the system. It also addresses the favoritism the plant-to-plant movement of milk receives under the current system.

The proposal we are submitting is forward thinking. The inclusion of all Class 1 plants and all California production addresses the discrimination issue and allows for the shifts in milksheds and population centers that have taken place and will continue to take place. The current system was constructed to accommodate specific marketing realities of two decades ago. It is now time to adjust the current system to reflect new realities.

We would ask that the department staff in anticipation of the consideration of this proposal reevaluate the standard for "constructive miles" to assure that it still is effective in normalizing the difference between open highway miles and congested urban miles.

We thank you in advance for your consideration of this proposal.

Sincerely,

Geoffrey Vanden Heuvel
Milk Producers Council

Pooling Plan For Market Milk Language Changes: {These rates are preliminary and subject to fine tuning}

Section 921.2 Transportation allowances shall be calculated on the constructive miles from the dairy farm to the location of first receipt, subject to Sections 921 and 921.1, and shall apply to all pool milk.

The following rates shall be utilized in the calculations of the allowances:

For all plants located in the State of California:

From zero through 15 miles \$0.00 per cwt.

Over 15 miles through 50 miles \$0.10 per cwt.

Over 50 miles through 75 miles \$0.15 per cwt.

Over 75 miles through 100 miles \$0.25 per cwt.

Over 100 miles through 125 miles \$0.35 per cwt.

Over 125 miles through 150 miles \$0.45 per cwt.

Over 150 miles through 175 miles \$0.55 per cwt.

Over 175 miles \$0.60 per cwt.

Delete references to designated supply and deficit county in all the various Sections. (ie., 810, 811, 812 etc.).

Southern California and Northern California Stabilization Plan Changes:

Section 300.2 Each Handler may deduct from the applicable minimum prices pursuant to Section 300.0, Paragraph (A), a transportation credit for quantities of market milk and market skim milk shipped in bulk form to a plant processing Class 1 milk. Shipments of condensed skim milk and market cream are excluded from such transportation credits. Such deduction shall not exceed the Transportation allowance for constructive miles applicable for the distance between the supply plant and the receiving plant, less any area Class 1 price differential.